

September 17<sup>th</sup>, 2009

## **Chairman's Message**

### **110<sup>th</sup> Japan Chamber of Commerce and Industry Meeting of Executive Councilors and General Assembly**

It is with great pleasure that we convene the 110<sup>th</sup> Japan Chamber of Commerce and Industry Meeting of Executive Councilors and General Assembly here today with over 1500 participants from Chambers of Commerce throughout the country, and we are delighted by the higher-than-usual turnout.

The Lower House elections on August 30<sup>th</sup> yielded an historic changing of the guard. First, I would like to extend my congratulations to the new Hatoyama Cabinet.

This year's general election was a reflection of the people's mood, and I believe it led to the change of administration. The people have entrusted the Democratic Party of Japan to overcome Japan's economic paralysis and the general feeling of gridlock to realize a forward-looking, hopeful and safe society.

I expect the new Cabinet to seriously acknowledge the people's decision and respond to the mandate it has received to run the country. It must provide a clear vision for the future of the nation by articulating the shape that Japan will take as a country and what kind of position it will play in the world.

On the occasion of the establishment of the new Cabinet, I will discuss my views of the

issues facing the administration and the issues facing the JCCI in light of domestic and international circumstances and ask all members for their understanding and cooperation.

### Expectations for the New Cabinet

Now I would like to discuss 3 expectations for the new Hatoyama Administration.

First, economic measures for the short term are an urgent issue. I would like the Cabinet to ensure an early economic recovery with the seamless continuation of employment and other economic measures. It has been said that the Japanese economy has seen the worst of the downturn, but the economic reality remains harsh for regional economies and small and medium-sized enterprises, and they continue to require assistance. In the FY2009 supplementary budget, I sincerely request the government to implement sound and timely measures for SMEs, employment and regional development—areas that are essential for economic recovery.

The new administration has pledged to address the mid-term targets for the prevention of global warming, a general ban on registered temporary work and temporary work in the manufacturing industry and the minimum wage issue, and all are of these pertain to important and complex policies on economic activity and people's lifestyles. For this reason, I ask the government to take a comprehensive approach and to take action with care, giving due consideration to discussions with the people and the opinions of the business community.

Second, I would like the government to immediately formulate a bold "Mid-Term Growth Plan" that can provide for sustainable economic growth with integrated foreign

and domestic demand in light of globalization and our declining population. Japan must strive to be the number one nation for science and technology and realize a real growth rate of 2% by utilizing the dynamism of the private sector to create new industries through innovation; focusing investment and training on emerging growth industries such as the environment, energy and IT; and engaging in the newly developing markets of Asia.

My third expectation is for fiscal soundness, the basis for which lies in the firm recovery of Japan's economy and the collection of tax revenues. I have high expectations for a thorough reduction of expenditures by way of eliminating wasteful spending and reforming special accounting. At the same time, I would like the administration to listen to the voices of the people and companies as it formulates concrete targets and timelines to achieve fiscal soundness while comprehensively reviewing the tax system.

In today's harsh climate both in Japan and throughout the world, I believe the new Cabinet's responsibilities are great. I expect Prime Minister Hatoyama to discuss his basic policies and plans for action in both the Diet and in other venues.

#### The JCCI's Basic Views on Key Policy Issues

The JCCI held a policy discussion this past July and affirmed its basic views on the key policy issues that the country faces.

The New Cabinet is just starting to tackle domestic and foreign issues, but I would like to express my views and opinions on the key policy issues that the new administration has pledged to address, focusing particularly on those issues that interest Chambers of Commerce. We intend to issue requests to the government and the Diet in order to

realize our goals.

First, let me discuss the social insurance system which is essential for creating a safe and secure society. For Chambers of Commerce, we think it is extremely important that the government undertake comprehensive reforms of pension schemes, healthcare and nursing care to build a sustainable system as quickly as possible. Based on the “principle of social insurance-style self-support and mutual assistance” for funding, we think that priority for public funds should be granted to healthcare and nursing care, which are essential for the health and well-being of the citizens. Policies to combat the declining birthrate are also necessary for a secure society, and we feel that the government must increase spending on children and families and provide comprehensive, seamless and life stage-appropriate support to families.

The next issue is the employment issue, and we feel that stabilizing and securing employment are of the utmost priority. As industrial structures change and the population of workers declines, it is only natural to create safety nets for both companies and workers to be on the safe side. At the same time when considering the “management-employment balance”, we definitely think that it is necessary to diversify employment types; create flexible labor markets to respond to worker consciousness and values; and reexamine labor legislation.

Measures to support SMEs are also essential to spur economic growth. SMEs comprise 99.7% of all companies and employ approximately 70% of the workforce, so it

would not be an overstatement to say they hold the key to sustainable growth. In order to spur more innovation going forward, we feel that the government needs to strengthen budget, finance and taxation policies to support technology and manufacturing, increase productivity with IT, respond to globalization, train and retain talent, and support revitalization efforts. We also think the government will need to develop well-thought-out measures to appropriately respond to the needs of small businesses, SMEs and medium-sized businesses. Also, it goes without saying, but Chambers of Commerce must firmly ascertain the needs of local companies and strive to handle diversifying issues that they face.

Now let me discuss regional revitalization. In order to provide quick, high quality government services, we feel that it is extremely important for Chambers of Commerce to harness the ingenuity of regions to take reforms for the decentralization of authority to the next level. To achieve this, we think the government should consider introducing a system of regional states as a way of handling area-wide issues.

Chambers of Commerce from around the country have made strong demands for roads and other social infrastructure, and we have stressed that this will not only contribute to regional development and the correction of disparities across regions, but that it is also extremely important for driving industry, boosting convenience in people's daily lives and bolstering international competitiveness. The government must carefully analyze costs and knock-on effects and proceed with improvements in a step-by-step manner. I would like to continue working with all of you to bring these demands to fruition. Furthermore, since efficient, proactive community development, community sustainability

and renaissance and tourism promotion are essential for regional revitalization, I think each region must undertake various, unique endeavors.

I am sure there are other key policy issues in which Chambers of Commerce are interested, and we will continue listening to your ideas and issuing requests as necessary. I kindly request your continued cooperation.

### Chambers of Commerce: The Driving Forces for Regional Revitalization

Next, I would like to discuss my views on regional revitalization and activities that Chambers of Commerce can undertake on their own accord to contribute thereto.

Regional economies remain rife with a sense of stagnation and gridlock due to declining populations, ageing and the attrition of central districts. Japan's 515 Chambers of Commerce boast 1.38 million member companies, and while we are striving to provide needs-based management support for hard-working SMEs and small-scale companies, I believe the calls from these members for even more effective support—including financial support—will grow.

Amidst these dire economic straits, I believe Chambers of Commerce must take the lead, take full advantage of their worth and serve as strong promoters of regional economies. Based on the voices and needs of regional companies, we must undertake any and all support projects that can improve management capacity and step up our efforts on region-focused revitalization initiatives.

I firmly believe that Chambers of Commerce, with their long histories and lists of achievements, possess “the driving force to perpetuate innovation to revolutionize

regional economies.” In accordance with our idea that “regions and nations cannot thrive without the ingenuity of small companies and individuals”, we must proactively engage in projects to engender “Innovation for Individual Advancement”. It is my sincere hope that Chambers of Commerce throughout Japan will help create healthy SMEs that will be pioneers for the 21<sup>st</sup> century and step up their community development efforts.

With the new administration in office, real policy discussions are just getting underway. To realize our demands and proposals, the Chambers of Commerce throughout Japan must unite to unleash our maximum potential. The JCCI will continue to strengthen networks among Japan’s 515 Chambers of Commerce and is dedicated to working with all of you to overcome challenges and heighten our presence as indispensable partners for a new generation.

I only touched on a few ideas today, but allow me to finish with a sincere request for the continued support and understanding of everyone in each and every Chamber of Commerce for the work of the Japan Chamber of Commerce and Industry.